OPTIVA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED DECEMBER 31, 2020

DATED: March 3, 2021

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") covers the results of operations, financial condition and cash flows of Optiva Inc. (the "Company" or "Optiva") for the fourth quarter and year ended December 31, 2020. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

The MD&A should be read in conjunction with the audited consolidated financial statements for the twelve months ended December 31, 2020 and fifteen months ended December 31, 2019, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). In 2019, the board of directors (the "Board") approved a change in the Company's fiscal year end from September 30 to December 31.

The Company's fiscal reporting period is for the twelve months ended December 31, 2020. The quarterly comparatives in this MD&A compare the quarter ended December 31, 2020 to the quarter ended December 31, 2019. The full year comparatives compare the twelve months ended December 31, 2020 to the fifteen months ended December 31, 2019.

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties." The consolidated financial statements and the MD&A have been reviewed by Optiva's Audit Committee and approved by the Board of the Company on March 3, 2021.

Unless otherwise indicated, all dollar amounts are expressed in U.S. Dollars. In this document, "we," "us," "our," "Company" and "Optiva" all refer to Optiva Inc. collectively with its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements in this document may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements use such words as "may", "will", "expect", "continue", "believe", "plan", "intend", "would", "could", "should", "anticipate" and other similar terminology. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements and could have a material adverse effect on the Company, its business, results from operations and financial condition, including, but not limited to, the risk factors discussed under the "Risks and Uncertainties" section of this MD&A, and those described in the "Risk Factors" section of the Company's most recently filed Annual Information Form. Although the forward-looking statements contained in this document are based upon what we believe are reasonable assumptions, we cannot assure

investors that our actual results will be consistent with these forward-looking statements. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances, except as required by law.

RISKS AND UNCERTAINTIES

- As previously disclosed, on July 20, 2020, the Company completed the redemption of its outstanding preferred shares and completed a concurrent offering of 9.75% senior secured PIK toggle debentures due 2025 ("Debentures") in the principal amount of $90 million, the proceeds of which were used to fund the preferred share redemption. In connection with and following these transactions, almost all of the Company's Board was refreshed with new directors. The Company also recently hired a new Chief Executive Officer. The Company's strategy has and may continue to change as a result of these changes in its capital structure and related changes to the composition of the Company's Board and management and shareholder base.

- The Company's strategy depends on its ability to realize the benefits of its investment in its product roadmap. The Company may continue to generate losses while it executes on its strategy of investing in innovating and modernizing its Business Support System ("BSS") solutions and application, specifically around cloud based products. Unanticipated declines in revenue or increases in expenses or liabilities in the near term, and slow adoption of Optiva cloud-based products by customers in the longer term, may result in the Company not being able to satisfy its financial obligations without further financing.

- Failure of the Company's solutions could expose the Company to significant liabilities. The Company's solutions are critical for its customers to deliver and monetize services on their networks. If the Company does not successfully deploy its solutions or if customers experience system outages caused by the Company's software, the Company may be exposed to significant liabilities associated with unplanned remediation costs, penalties and claims for damages.

- The Company faces intense competition and many of the Company's competitors and potential competitors have significantly greater financial, technical, marketing or service resources. The Company's relatively small size and recent operating history may be considered negatively by prospective end-users. If the Company does not compete effectively, the Company's revenue may not grow and could decline.

- The Company's ability to recruit and retain personnel is crucial to its ability to develop, market, sell and support its products and services.

- The Company's quarterly revenue and operating results can be difficult to predict and can fluctuate substantially, which may materially adversely impact its results of operations.

- The Company is exposed to credit risk related to accounts receivable from customers and unbilled revenue related to on-going customer projects. If customers fail to make payment in respect of

amounts owing to the Company to an extent that is in excess of the Company's estimated default rates, the Company's business, financial condition and results of operation could be materially adversely affected.

- A substantial portion of the Company's revenue and expenses are transacted in currencies other than the Company's functional currency of U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and these currencies may have a material adverse effect on the Company's business, financial condition and operating results.

- The tax laws of various jurisdictions in which the Company conducts business have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles and that contemporaneous documentation exists to support such pricing. If any of the Company's transfer pricing policies are successfully challenged, income tax expenses may be adversely affected and the Company could also be subjected to interest and penalty charges, which could have a significant impact on the Company's future earnings and future cash flows.

- The Debentures represent a significant amount of indebtedness of the Company, the principal amount of which must be repaid on or before July 20, 2025. The Company's ability to pay principal and cash interest when due on the Debentures will depend on the success of the Company's operations and the Company's financial condition over the long term. If and to the extent the Company has insufficient revenue to pay its debt obligations, cash from other sources will be required or the Company may be required to pay interest in-kind through the issuance of additional Debentures. The Company might also be required to sell some or all of its assets to meet its obligations, or to seek an extension to the Debentures, or to seek alternative debt or equity financing. The sale of some of the Company's assets and properties to satisfy the amounts owed pursuant to the Debentures could result in the partial or total loss of the Company's assets. If sale, extension or refinancing is not obtained or consummated, the Company could default on its obligations.

- The Company currently does not have any credit facility and relies on its own cash to meet its liquidity needs. The Company collects its cash from customers in various jurisdictions; there is a risk that repatriation of cash from foreign jurisdictions may take longer than anticipated, be subject to withholding taxes or be disrupted due to events outside the control of the Company. This may result in the Company being unable to meet its obligations when they become due.

- The Company is, has been and expects to continue to be dependent on a relatively small number of customers for a large percentage of its revenue. If one or more of the Company's end-users discontinues its relationship with the Company for any reason, or reduces or postpones current or expected purchases of the Company's products or services, the Company's business, results of operations and financial condition could be materially adversely affected.

- The Company may be required to defer recognizing revenue from the sale of products until all the conditions necessary for revenue recognition have been satisfied.

- The market for the Company's products depends on economic and geopolitical conditions affecting the broader market. Economic conditions globally are beyond the Company's control. In addition, acts of terrorism and the outbreak of a global health crisis or hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties, including uncertainties caused by the continuing COVID-19 pandemic, may cause end-users to delay or cancel projects, reduce their overall security or IT budgets, or reduce or cancel orders for the Company's products, which could have a material adverse effect on its business, results of operations and financial condition.

OVERVIEW

Optiva, which commenced operations in July 1999, is a leading and innovative provider of cloud-native monetization products on the private and public cloud to Communication Service Providers ("CSPs") worldwide.

The Company's products and services empower CSPs to monetize on their various customer segments, including consumer, enterprise, wholesale and IoT. The Company's solutions allow the introduction of new innovative tariffs and marketing offerings, through its rating, charging and billing solutions. Coupled with complementing products such as payment solutions, policy control, wholesales billing, customer care and subscriber self-service applications, Optiva allows its customers to achieve their objectives and address their challenges, including monetization of their communication services, convergence of their service portfolio and diversification of their offering, all through improving customer experience and reduced costs.

The Subordinate Voting Shares of Optiva Inc. (TSX: OPT) are listed on the TSX. The Debentures (NEO: OPT.DB.U) are listed on the NEO. For more information, visit www.optiva.com.

The Company derives its revenue from three main geographic areas, namely:

1. APAC – Asia and Pacific Rim
2. Americas – North America, Latin America, and Caribbean
3. EMEA – Europe, Middle East, and Africa

Optiva's award-winning, cloud-native, real-time converged charging and billing platform delivers the benefits of a flexible, end-to-end software platform, including real-time charging, rating, billing, product catalog, policy management and customer care for any digital services of a CSP. Optiva's product family supports any type of CSP from tier 1 to tier 5, in the private or public cloud. It enables a digital customer journey delivering innovative end-user services from real-time offering towards digital guide self-management of customer interaction.

Optiva supports the telecommunication industry with the following market solutions:

- **Optiva Charging Engine** – Optiva's highly scalable, convergent charging solution is a full cloud-enabled platform for private and public cloud. It monetizes any type of transaction and enables a smooth transition from a traditional telco business to digital CSP as a single monetization platform. The solution runs natively on Google Cloud Platform and scales with Google Cloud Spanner, and it is also available on an OpenShift infrastructure on a private cloud. Kubernetes and the customization framework enables fast adaptation to the market and new use cases with the shortest time to market and lowest total cost of ownership (TCO) in the world. Today, Optiva's scalable solution is supporting more than 200 million subscribers at a single customer and enables operators to launch and monetize their 4G and 5G networks and deliver advanced data services, including Voice over LTE ("VoLTE"), machine to machine, IoT, cloud services, and OTT offerings.

- **Optiva BSS Platform** – Optiva BSS PlatformTM provides a fully managed, end-to-end, cloud-native converged charging and billing solution on the private and public cloud. For CSPs, including MNOs, MVNEs, and MVNOs, Optiva BSS PlatformTM, re-architected to be cloud-native and made available on the public cloud, is Optiva's leading proposition in the software-as-a-service ("SaaS") market. The multi-tenant platform allows customers the freedom to focus on their business, not on deploying and managing enterprise software. Customers can design marketing plans, load subscribers, and deploy their services without having to install software on premise. With Optiva BSS PlatformTM, customers can run an end-to-end BSS stack with all of the mandatory components such as unified rating and charging, billing, customer care and self-care, product catalog, payments and voucher management, collections and settlements, and dealer care.

- **Policy Control** – Optiva's Policy Control solution provides a single solution that enables service providers to take control of network resource usage, assure quality of experience for users, and offer personalized services and differentiated, service-specific charging. Optiva's Policy Control solution is key to supporting operator data monetization strategies for real-time applications, such as video streaming, interactive gaming, and VoLTE, and is a key to Optiva value proposition to 5G.

- **Optiva Wholesale Billing™** – Optiva Wholesale Billing™ is a cloud-based solution that provides operators with greater visibility into network transactions to achieve converged settlement and accurate interconnect billing. Optiva's solution helps service providers maximize the value of their network with a comprehensive and cost-effective interconnect, wholesale, roaming, MVNO, franchise management, and content settlement software solution.

- **Optiva Payment Solution –** Optiva's Payment Solution strengthens a customer's ability to monetize services with the provision of different payment methods, including voucher and voucher-less payment and top-up solutions. Optiva's solution allows service providers to offer end-users the most convenient payment solutions in their market.

SUBSEQUENT EVENT

Subsequent to the end of the year, Optiva announced that ESW Capital, LLC ("ESW") and its affiliates agreed to (i) sell all of its subordinate voting shares in Optiva in a private sale, and (ii) terminate all of their related party agreements with Optiva, and waive certain provisions of the warrants to acquire subordinate voting shares held directly or indirectly by ESW. The sale is expected to close on or around March 5, 2021. On closing, Optiva and ESW and certain other parties, including other significant shareholders of the company, also agreed to release each other from certain claims relating to Optiva and to clarify their respective intellectual property rights. Optiva also announced its intention to complete a subsequent offering of subordinate voting shares and that it had received non-binding indications of interest to participate of up to $17.0 million. The transaction is expected to enhance the protection of Optiva's intellectual property, reduce expenditures on legal and professional fees relating to shareholder disputes going forward and lower risk of dilution to existing shareholders through the shortening of the term of the outstanding warrants held by ESW.

REDEMPTION OF PREFERRED SHARES AND DEBENTURE FINANCING

On July 20, 2020, the Company fully redeemed all of the Series A Preferred Shares of the Company (the “Preferred Shares“), including all accrued and unpaid dividends thereon, beneficially owned or controlled by ESW, in accordance with the terms of the Preferred Shares. The aggregate redemption price in respect of the Preferred Shares was $91.4 million (the “Redemption Amount“). This included the face amount of $80.0 million and accrued dividends of $11.4 million.

On July 20, 2020, the Company closed a $90.0 million financing (the “Debenture Financing“) of the Debentures. The Debentures are guaranteed by certain subsidiaries of the Company, and constitute senior secured obligations of the Company. The net proceeds from the Debenture Financing were used to redeem all of the Series A Preferred shares of the Company (plus all accrued dividends). The Debenture Financing was completed on a private placement basis pursuant to certain prospectus exemptions, and consisted of a non-brokered private placement and a marketed brokered private placement led by CIBC Capital Markets (“CIBC“) as agent for the Debenture Financing.

As at December 31, 2020, $90.0 million (2019 - $nil) aggregate principal amount of Debentures was outstanding and interest computed on a 365-day (or 366-day, as applicable) basis is payable semi-annually on July 20 and January 20 of each year commencing on January 20, 2021. The Company incurred $3.9 million of transaction costs and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the Debentures. During the twelve months ended December 31, 2020, $0.3 million of deferred financing fees was amortized (2019 - $nil).

For the twelve months ended December 31, 2020, interest expense of $4.0 million (2019 - $nil) in connection with the Debenture Financing has been recognized in the consolidated statements of comprehensive income (loss).

OUTLOOK

Investment in Cloud Innovation Initiatives

The Company believes the telecom industry will continue to shift its BSS products and applications to the cloud, specifically the public cloud, and demand solutions from its vendors that can offer a cloud-native architecture. Accordingly, management of the Company is investing aggressively in upgrading Optiva's product offering to become fully cloud-native. Management believes this transition is ongoing and continuous and will take a few years to fully materialize due to the complicated technological, regulatory, and security structures faced by the telecom industry.

The Company continues to invest in cloud innovation, including the Company's use of public cloud solutions, to be integrated into Optiva cloud-native products. The Company is in the process of strengthening and building an in-house research and development ("R&D") team and working with other strategic partners to enhance its R&D activities. The Company continues to evaluate the need and timing of additional funding and any evolution of our strategy.

COVID-19 OPERATIONAL UPDATE

COVID-19 continues to significantly impact Canadians and economies around the world as a second wave of the virus appears to be affecting Canada and other countries worldwide. In March, 2020, the Company took swift action by taking measures to ensure the health and safety of our team members, and to mitigate the business impact on the Company caused by the unprecedented global economic disruption. The Company successfully adopted a mandatory work-from-home program which will continue to remain in place until such time the Company has clear guidance from government authorities in various jurisdictions, with respect to this pandemic. As substantially all of the Company's day-to-day activities can be fully performed by personnel working remotely, the Company is able to remain fully operational during this period, and continues to seek new revenue opportunities, execute on its product development roadmap and generate consistent revenue from our existing customer base. The Company is in compliance with all federal, provincial and municipal regulations that have been put in place since the beginning of the pandemic. The Company will continue to closely monitor developments in this regard, with the health and safety of the Company's employees and management as the primary concern. Due to the fluidity of the COVID-19 pandemic and the uncertainty of its magnitude, outcome and duration, the Company is unable to definitively quantify its potential impact. The Company has taken measures to manage costs, including a reduction of operating expenses.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information of Optiva for the periods indicated. Each investor should read the following information in conjunction with those financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information set out below has been derived from the Company's audited consolidated financial statements.

Q4 Fiscal 2020 Highlights	**Three Months Ended**		**Twelve Months Ended**	**Fifteen Months Ended**	**Twelve Months Ended**
($ US Thousands, except per share information)	**December 31,**			**December 31,**	
(Unaudited)	**2020**	**2019**	**2020**	**2019**	**2018**
Revenue	18,142	20,530	75,916	120,883	121,627
Net income (loss)	1,670	(16,874)	(41,520)	(13,751)	(92,592)
Earnings (loss) Per Share	$ 0.31	$(3.17)	$(7.81)	$(2.60)	$(17.69)
Cash used in operating activities	(2,621)	(2,966)	(7,900)	(2,259)	(14,156)
Total cash, including restricted cash	18,290	32,699	18,290	32,699	39,683

Consolidated Statements of Comprehensive Income (Loss)	**Three Months Ended**		**Twelve Months Ended**	**Fifteen Months Ended**	**Twelve Months Ended**
(all amounts in thousands of US$, except per share amounts)	**December 31,**			**December 31,**	
(unaudited)	**2020**	**2019**	**2020**	**2019**	**2018**
Revenue					
Support and subscription	14,258	13,985	58,289	86,860	84,747
Software, services and other	3,884	6,545	17,627	34,023	36,880
Total Revenue	**18,142**	**20,530**	**75,916**	**120,883**	**121,627**
Cost of revenue	4,479	5,664	19,604	39,351	50,712
Gross profit	**13,663**	**14,866**	**56,312**	**81,532**	**70,915**
Operating expenses					
Sales and marketing	1,680	1,726	7,952	12,553	11,332
General and administrative	6,165	3,760	30,059	22,586	31,076
Research and development	2,674	8,170	25,537	35,157	61,515
Restructuring costs (recovery)	(39)	104	163	(1,715)	51,775
Total Operating Expenses	**10,480**	**13,760**	**63,711**	**68,581**	**155,698**
Income (loss) from operations	**3,183**	**1,106**	**(7,399)**	**12,951**	**(84,783)**
Foreign exchange gain (loss)	(100)	(1,598)	(1,999)	(1,475)	(318)
Finance income	156	126	406	605	524
Finance costs	2,029	(10,153)	(26,254)	(14,190)	(2,572)
Income (loss) before income taxes	**5,268**	**(10,519)**	**(35,246)**	**(2,109)**	**(87,149)**
Income tax expense	3,598	6,355	6,274	11,642	5,443
Net Income (loss) for the period	**1,670**	**(16,874)**	**(41,520)**	**(13,751)**	**(92,592)**
Earnings (loss) per common share					
Basic	$ 0.31	$ (3.17)	$ (7.81)	$ (2.60)	$ (17.69)
Diluted	$ 0.29	$ (3.17)	$ (7.81)	$ (2.60)	$ (17.69)
Weighted average number of common shares (thousands)					
Basic	5,316	5,316	5,316	5,281	5,233
Diluted	5,698	5,316	5,316	5,281	5,233

Statement of Financial Position Data *$US Thousands (unaudited)*	**As at December 31, 2020**	**As at December 31, 2019**	$ Change	% Change	**As at December 31, 2018**
Cash, Cash Equivalents and Restricted Cash	18,290	32,699	(14,409)	(44%)	39,683
Trade Accounts, Other Receivables and Unbilled Revenue	15,475	16,953	(1,478)	(9%)	27,863
Goodwill and Intangible Assets	35,527	44,487	(8,960)	(20%)	50,316
Total Assets	77,380	101,520	(24,140)	(24%)	130,762
Trade Payable and Accrued Liabilities	18,489	17,869	620	3%	34,401
Deferred Revenue	5,556	7,066	(1,510)	(21%)	14,959
Provisions	5,555	3,667	1,888	51%	13,317
Other long-term liabilities	19,278	15,868	3,410	21%	18,293
Debentures	86,338	-	86,338		-
Preferred Shares and Series A Warrant	16,663	89,025	(72,362)	(81%)	79,617
Total Liabilities	156,812	137,140	19,672	14%	161,087
Shareholders' Deficit	(79,432)	(35,621)	(43,811)	123%	(30,326)

CURRENT PERIOD OPERATING RESULTS

Revenue

The following tables set forth the Company's revenues by type and as a percentage of total revenue for the periods indicated:

$US Thousands	**Three Months Ended December 31,**		**Twelve Months Ended**	**Fifteen Months Ended December 31,**
(unaudited)	**2020**	**2019**	**2020**	**2019**
Support and Subscription	14,258	13,985	58,289	86,860
Software and Services	3,522	6,179	16,617	32,674
Third Party Software and Hardware	362	366	1,010	1,349
Total	**18,142**	**20,530**	**75,916**	**120,883**

Percentage of Total Revenue (unaudited)	**Three Months Ended December 31,**		**Twelve Months Ended**	**Fifteen Months Ended December 31,**
	2020	**2019**	**2020**	**2019**
Support and Subscription	79%	68%	77%	72%
Software and Services	19%	30%	22%	27%
Third Party Software and Hardware	2%	2%	1%	1%
Total	**100%**	**100%**	**100%**	**100%**

The Company recognizes revenue from the sale of software licenses, including initial perpetual licenses, term licenses, capacity increases and/or upgrades, professional services, third-party hardware and software components and customer support contracts.

For the three-month period ended December 31, 2020, the Company's revenues have declined by $2.4 million from the previous year's comparative period to $18.1 million. The change by revenue type for the quarter ended December 31, 2020, is as follows: $0.3 million increase in support and subscription revenue, $2.7 million decrease in software and services revenue and no change in third-party software and hardware revenue.

For the twelve-month fiscal period ended December 31, 2020, the Company's revenues have declined by $45.0 million from the previous year's fifteen-month fiscal period to $75.9 million. The change by revenue type for the twelve months ended December 31, 2020, is as follows: $28.6 million decrease in support and subscription revenue, $16.1 million decrease in software and services revenue and $0.3 million decrease in third party software and hardware revenue.

Support and Subscription Revenue

Support and subscription revenue consists of revenue from our customer support and maintenance contracts and term-based software licensing. The term of these agreements typically commences on successful completion of acceptance testing of the software deployment, with customers initially entering into these contracts for a period of one or more years and then renewing for similar periods thereafter.

Support and subscription revenue for the three-month period ended December 31, 2020, was $14.3 million, or 79% of total revenue, compared to $14.0 million, or 68% of total revenue, for the same period last year. For the twelve-month fiscal period ended December 31, 2020, the Company's support and subscription decreased to $58.3 million, or 77% of total revenue, compared to $86.9 million or 72% of total revenue for the fifteen month fiscal year 2019. The decrease in support and subscription revenue compared to last fiscal year is mainly due to the extra quarter last fiscal period. Based on annualized revenue, the support and subscription revenue has decreased mainly due to the discontinuation of support to customers who had previously notified us of their exit.

Software and Services Revenue

Software and services revenue consists of fees earned from the on-premise licensing, except for term-based licenses, which are recorded as subscription and deployment of software products to our customers as well as the revenues resulting from consulting and training service contracts related to the software products.

Software and services revenue for the three-month period ended December 31, 2020, decreased to $3.5 million, or 19% of total revenue, compared to $6.2 million, or 30% of total revenue for the same period last year. For the twelve-month fiscal period ended December 31, 2020, the Company's software and services revenue decreased to $16.6 million, or 22% of total revenue, compared to $32.7 million, or 27% of total revenue for fifteen-month fiscal year 2019. The decrease in software and services revenue compared to last fiscal year is mainly due to the extra quarter last fiscal period. Based on annualized revenue, the software and services revenue has decreased mainly due to fewer software implementations compared to the prior period. We are expecting that our software and services revenue may be negatively impacted in the next two fiscal quarters by the COVID-19 pandemic, as projects that require travel to customer sites have been suspended and service deliveries delayed indefinitely.

Third-Party Software and Hardware Revenue

Third-party software and hardware revenue consist of revenue from the sale of other vendors' software and hardware components as part of Optiva's solutions, including server platforms, database software and other ancillary components.

Third-party software and hardware revenue for the three-month period ended December 31, 2020, remained unchanged at $0.4 million, compared to $0.4 million, for the same period last year. For the twelve-month fiscal period ended December 31, 2020, the Company's third-party software and hardware revenue decreased to $1.0 million, or 1% of total revenue, compared to $1.3 million, or 1% of total revenue, for fifteen-month fiscal year 2019. Management continues its initiative to minimize the sale of third-party software and hardware components, which have minimal contribution to overall profitability.

Revenue by Geography

Revenue is attributed to geographic locations based on the location of the customer. The following tables set forth revenues by main geographic area and as a percentage of total revenue for the periods indicated:

$US Thousands	Three Months Ended		Twelve Months Ended	Fifteen Months Ended
	December 31,			December 31,
(unaudited)	2020	2019	2020	2019
Asia and Pacific Rim	4,103	4,348	18,330	28,629
North America, Latin America and Caribbean	6,256	6,524	24,582	29,640
Europe, Middle East and Africa	7,783	9,658	33,004	62,614
Total	**18,142**	**20,530**	**75,916**	**120,883**

Percentage of Total Revenue (unaudited)	Three Months Ended		Twelve Months Ended	Fifteen Months Ended
	December 31,			December 31,
	2020	2019	2020	2019
Asia and Pacific Rim	23%	21%	24%	24%
North America, Latin America and Caribbean	34%	32%	32%	25%
Europe, Middle East and Africa	43%	47%	44%	51%
Total	**100%**	**100%**	**100%**	**100%**

For the three-month period ended December 31, 2020, revenue from the APAC region was $4.1 million, or 23% of total revenue, compared to $4.3 million, or 21% of total revenue, for the same comparable period. For the twelve-month fiscal period ended December 31, 2020, revenue from the APAC region was $18.3 million, or 24% of total revenue, compared to $28.6 million, or 24% of total revenue, for the fifteen-month fiscal 2019. This decrease is mainly due to the extra quarter last fiscal period. Based on annualized revenue, there is still a decrease as a result of lower software and services, support and subscriptions revenue and third party software and hardware revenue in the region.

For the three-month period ended December 31, 2020, revenue from the Americas region decreased to $6.3 million, or 34% of total revenue, compared to $6.5 million, or 32% of total revenue, for the same

comparable period. For the twelve-month fiscal period ended December 31, 2020, revenue from the Americas region decreased to $24.6 million, or 32% of total revenue, compared to $29.6 million, or 25% of total revenue, for the fifteen-month fiscal 2019. The decrease in the quarter compared to the last fiscal year is mainly due to lower software and services revenue in the region, slightly offset by increased support revenue. The decrease for the twelve months ended December 31, 2020 is mainly due to the extra quarter last fiscal period. Based on annualized revenue, the revenue from Americas region has actually increased mainly due to higher support revenue.

For the three-month period ended December 31, 2020, revenue from the EMEA region decreased to $7.8 million, or 43% of total revenue, compared to $9.7 million, or 47% of total revenue, for the same comparable period. The decrease in revenue during the three months ended December 31, 2020, is mainly a result of lower software and services revenue and lower support revenue due to the loss of certain customers, compared to the same period last year. For the twelve-month period ended December 31, 2020, revenue from the EMEA region decreased to $33.0 million, or 44% of total revenue, compared to $62.6 million, or 51% of total revenue, for the fifteen-month fiscal 2019. The decrease in revenue during twelve months ended December 31, 2020 is mainly due to the extra quarter in last fiscal period and based on annualized revenue, the revenue from the EMEA region has decreased mainly due to lower support and subscription revenue in the region due to the loss of certain customers compared to same period last year and lower software and services revenue due to fewer software implementations.

Cost of Revenue and Gross Margin

Cost of revenue consists of cross-functional personnel costs providing professional services to implement and provide post-sales technical support for our solutions, and the costs of third party hardware and software components sold as part of Optiva's solutions. In addition, cost of revenue includes an allocation of certain direct and indirect costs attributable to these activities and expected losses on any contracts when it is probable that the total contract costs will exceed contract revenues. Personnel levels are determined based on expected revenue and support demand levels; therefore, gross margin as a percentage of revenue can vary significantly from quarter to quarter.

For the three months ended December 31, 2020, cost of revenue decreased to $4.5 million from $5.7 million incurred for the same comparable period. The gross margin for the quarter has increased to 75% in the three months ended December 31, 2020, compared to 72% in the three months ended December 31, 2019. For the twelve-month fiscal period ended December 31, 2020, cost of revenue decreased to $19.6 million from $39.4 million incurred for the fifteen-month fiscal period ended December 31, 2019. The decrease is primarily due to an extra quarter in the last fiscal period, lower headcount and related costs incurred under the Company's cost structure optimization plan and lower third party costs The gross margin has increased to 75% in the twelve-month fiscal period ended December 31, 2020, compared to 67% in the fifteen-month fiscal period ended December 31, 2019. The gross margins this year are higher as fewer customizations with lower margins were ordered by customers that required fulfillment, as compared to the previous period, and there was a higher percentage of revenue from support and subscription revenue that has a higher margin. We expect our gross margins may decline initially and may fluctuate as we prove our cloud-native model and product capability to new and existing customers when they onboard to the public or private cloud in future periods.

Operating Expenses

Total operating expenses in the three months ended December 31, 2020, decreased to $10.5 million as compared to $13.8 million in the same period last year. Excluding depreciation, amortization and restructuring costs, total operating costs in the quarter ended December 31, 2020, decreased to $8.7 million, or 48% of total revenue, compared to $12.5 million, or 61% of total revenue, for the same period last year. The decrease in overall operating expenses (excluding depreciation, amortization and restructuring costs) is mainly attributable to lower R&D costs and lower sales and marketing costs, offset by higher general and administrative costs, as further explained below by function.

Total operating expenses in the twelve months ended December 31, 2020, decreased to $63.7 million as compared to $68.6 million in the fifteen months ended December 31, 2019. Excluding depreciation, amortization and restructuring costs, total operating costs in the twelve months ended December 31, 2020, decreased to $54.6 million, or 72% of total revenue, compared to $64.3 million, or 53% of total revenue, for the fifteen months ended December 31, 2019. The decrease in overall operating expenses (excluding depreciation, amortization and restructuring costs) is mainly attributable to lower R&D costs and lower sales and marketing costs, offset by higher general and administrative costs, as further explained below by function.

The following tables set forth total operating expenses by function and as a percentage of total revenue for the periods indicated:

$US Thousands (unaudited)	Three Months Ended December 31, 2020	2019	Twelve Months Ended 2020	Fifteen Months Ended December 31, 2019
Sales and Marketing	1,680	1,726	7,952	12,553
General and Administrative	6,165	3,760	30,059	22,586
Research and Development	2,674	8,170	25,537	35,157
Restructuring Costs	(39)	104	163	(1,715)
Total Operating Expenses	**10,480**	**13,760**	**63,711**	**68,581**
Excluding Amortization and Depreciation	*8,660*	*12,597*	*54,751*	*62,585*

Percentage of Total Revenue (unaudited)	Three Months Ended December 31, 2020	2019	Twelve Months Ended 2020	Fifteen Months Ended December 31, 2019
Sales and Marketing	9%	8%	10%	10%
General and Administrative	34%	18%	40%	19%
Research and Development	15%	40%	34%	29%
Restructuring Costs	0%	1%	0%	-1%
Total Operating Expenses	**58%**	**67%**	**84%**	**57%**
Excluding Amortization and Depreciation	*48%*	*61%*	*72%*	*52%*

Sales and Marketing Expenses

Sales and Marketing ("S&M") expenses consist primarily of salaries, variable compensation costs and other personnel costs, travel, advertising, marketing and conference costs, plus the allocation of certain overhead costs to support the Company's sales and marketing activities.

For the three-month period ended December 31, 2020, S&M expenditures stayed the same at $1.7 million, or 9% of total revenue, compared to $1.7 million, or 8% of total revenue, compared to the same comparable period. For the twelve-month fiscal period ended December 31, 2020, S&M expenditures decreased to $8.0 million, or 10% of total revenue, compared to $12.6 million, or 10% of total revenue, for the fifteen-month fiscal period ended December 31, 2019. The decrease in S&M expenditures compared to last fiscal year is mainly due to the extra quarter last fiscal period, impact of cost optimization initiatives and lower cloud-related marketing spend.

General and Administrative Expenses

General and administrative ("G&A") expenses include personnel costs, professional fees, depreciation and share-based compensation costs associated with the Company's corporate leadership, compliance and support activities such as finance, human resources, information technology, legal and tax.

For the three-month period ended December 31, 2020, G&A expenditures increased to $6.2 million, or 34% of total revenue, from $3.8 million, or 18% of total revenue, compared to the same comparative period. The increase in the quarter was mainly due to an increase in legal and advisory costs related to the activities of the Special Committee of the Board of Directors, slightly offset by lower stock-based compensation due to decrease in share price on the director stock units ("DSUs"). For the twelve-month fiscal period ended December 31, 2020, G&A expenditures increased to $30.1 million, or 40% of total revenue, from $22.6 million, or 19% of total revenue, in the fifteen-month fiscal 2019. The increase was mainly due to an increase in legal and advisory costs related to the activities of the Special Committee of the Board of Directors, an increase in provision estimate to reflect changes in the status of certain claims and costs to settle, and increased amortization costs resulting from a revision to the estimated useful life of intangible assets associated with certain non-core business slightly offset by stock-based compensation due to the decrease in share price on the DSU's granted during the year. Certain directors on the board have opted to take DSUs in lieu of quarterly cash compensation.

Research and Development Expenses

R&D expenses consist primarily of personnel costs associated with product management, improvement of code quality and the development and testing of new products and features.

For the three-month period ended December 31, 2020, R&D expenditures decreased to $2.7 million, or 15% of total revenue, from $8.2 million, or 40% of total revenue, as compared to the same comparative period. The decrease is due to lower DevFactory FZ-LLC ("DevFactory") and Crossover Markets Inc. ("Crossover") spend on overall R&D activities, including lower cloud-related spend. For the twelve-month fiscal period ended December 31, 2020, R&D expenditures decreased to $25.5 million, or 34% of total revenue, from $35.2 million, or 29% of total revenue, in fifteen-month fiscal 2019. The decrease is primarily due to lower DevFactory and Crossover spend mainly on cloud-related R&D activities. The

Company's spend on R&D activities, including those on account of cloud innovation, is discretionary in nature. Consequently, the R&D spend is generally expected to vary by quarter, and sometimes this can be significant.

The Company is in the process of building an in-house R&D team and did not place any orders with DevFactory in the quarter ended December 31, 2020, and is not expected to place any orders with DevFactory in the future. The Company is also working with other strategic partners to enhance its R&D activities.

Restructuring Costs

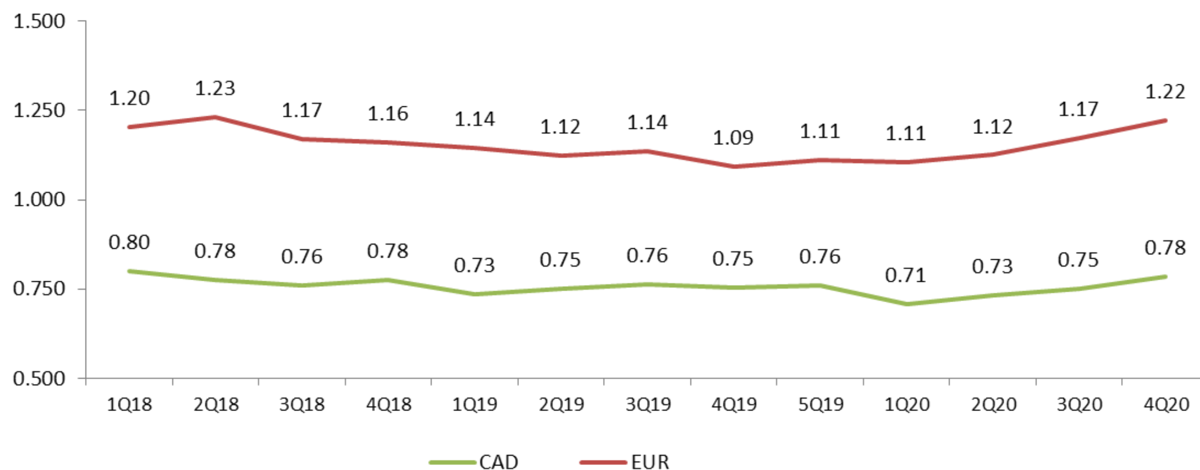
In November 2017, the Company implemented a restructuring plan and commenced implementing a reduction in workforce globally and vacating premises in multiple locations. The Company has completed the workforce reduction associated with this plan. The Company has also vacated its office premises in almost all jurisdictions and maintains offices only in those jurisdictions where it is required by statute. During the three and twelve months ended December 31, 2020, $nil and $0.2 million of restructuring charges related to closure of facilities and entity simplification were recorded (three and fifteen months ended December 31, 2019 - $0.1 million and $2.1 million, respectively, related to headcount, closure of facilities and entity simplification).

For the twelve months ended December 31, 2020, an amount of $1.3 million has been paid and an additional amount of less than $0.1 million is estimated as payable within one year.

The Company has wound up 12 of its subsidiaries as of December 31, 2020 as part of the legal entity reorganization of the Company's corporate structure. The Company's remaining restructuring activities under this plan primarily involve the winding up of 34 subsidiaries, which will bring the total number of legal entities in Optiva's corporate group down to nine from 43 at the outset of this restructuring. The legal entity reorganization is dependent upon completion of local statutory requirements including obtaining tax clearance prior to wind up and may take several years to complete. The cost of the legal entity reorganization may exceed the Company's estimates due to uncertainties associated with tax and other statutory audits in multiple jurisdictions. The legal entity reorganization plan is expected to make our operations and back-office more cost efficient and reduce risks associated with operating in multiple jurisdictions.

Foreign Exchange Gain/Loss

We operate internationally and have foreign currency risks related to our revenue, operating expenses, monetary assets, monetary liabilities and cash denominated in currencies other than the U.S. Dollar, which is our functional currency. Consequently, movements in the foreign currencies in which we transact have and could significantly affect current and future net earnings. Currently, we do not use derivative instruments to hedge such currency risks. The graph below displays the change in rates of our significant currencies relative to the U.S. Dollar.



Source: Bank of Canada

The Company has monetary assets and liabilities in a number of currencies, the most significant of which are denominated in Euro and the Canadian Dollar. For the three months ended December 31, 2020, the Company had a foreign currency exchange loss of $0.1 million, compared to a foreign currency exchange loss of $1.6 million in the comparable period. For the twelve months ended December 31, 2020, the Company had a foreign currency exchange loss of $2.0 million, compared to a foreign currency exchange loss of $1.5 million for fifteen months ended December 31, 2019. The U.S. Dollar weakened against the Canadian dollar and the Euro during the three and twelve months ended December 31, 2020.

A change in foreign exchange rates as at December 31, 2020, of 10% would result in a gain or loss of approximately $1.0 million arising from the translation of the Company's foreign currency-denominated monetary assets and liabilities as at December 31, 2020. This foreign currency gain or loss arising from translation would be recorded in the consolidated statements of comprehensive income.

Income Taxes

The Company's operations are global, and the income tax provision is determined in each of the jurisdictions in which the Company conducts its business. The Company's current income tax expense for the twelve months ended December 31, 2020, mainly includes $3.2 million (fifteen months ended December 31, 2019 - $5.8 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $2.6 million (fifteen months ended December 31, 2019 - $3.3 million) of foreign withholding taxes. The Company's deferred tax expense of $0.5 million (fifteen months ended December 31, 2019 - expense of $2.5 million) consists primarily of changes in temporary differences recognized during the current period.

The income tax expense relating to foreign subsidiaries that are virtually inactive may vary in future quarters as tax audits for previous years are brought to their conclusion, and there is a risk that such assessments may exceed the provision that the Company is carrying, resulting in additional income tax charges. It is expected that the effective rate of the income tax expense will decline as the Company

fully implements its new legal and operating organization structure, after the completion of pending tax assessments in foreign subsidiaries that are inactive and awaiting voluntary wind-up.

SUMMARY OF EARNINGS RESULTS

All financial results are in thousands, unless otherwise stated, with the exception of per share amounts. The table below provides summarized information for our eight most recently completed quarters:

$US Thousands, except share and per share amounts (Unaudited)	4Q 20	3Q 20	2Q 20	1Q 20	5Q 19	4Q 19	3Q 19	2Q 19	1Q 19
Revenue	$18,142	$18,804	$19,933	$19,037	$20,530	$23,124	$24,670	$24,942	$27,617
Net Income (loss)	$ 1,670	$(29,221)	$(14,777)	$ 808	$(16,874)	$(963)	$ 3,069	$ 479	$ 538
Earnings (loss) per Share	$ 0.31	$(5.50)	$(2.78)	$ 0.15	$(3.17)	$(0.18)	$ 0.58	$ 0.09	$ 0.10
Diluted Earnings (loss) per Share	$ 0.29	$(5.50)	$(2.78)	$ 0.14	$(3.17)	$(0.18)	$ 0.54	$ 0.08	$ 0.10
Weighted average shares outstanding – Basic (thousands)	5,316	5,316	5,316	5,316	5,316	5,316	5,305	5,243	5,233
Weighted average shares outstanding - Diluted (thousands)	5,698	5,316	5,316	5,632	5,316	5,316	5,636	5,633	5,646

Company's fiscal year end changed to December from September, effective 2019, therefore has 5 quarters

Revenue has declined sequentially mainly because of lower support and subscription revenue due to discontinuation of support to customers who had previously notified us of the exit and lower software and services revenue due to fewer implementations. The net loss in third quarter of 2020 was mainly due to the accretion of preferred shares to the face value and accrued dividends of $21.9M due to redemption of the preferred shares and increase in fair value of warrant liability of $5.6M. The net loss in the second quarter of 2020 and fifth quarter of 2019 was mainly due to increases in fair value of the warrant liability and the cloud related spend. There is a significant variability in the net income or loss due to the change in fair value of the warrant liability.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s objective in managing capital resources is to ensure sufficient liquidity to drive its organic growth, fund operations, complete its restructuring actions and implement its strategic plan, while managing financial risk. The Company currently funds its operations and capital expenditure requirements through cash flows generated by operating activities, proceeds from the issuance of equity instruments (including common shares, warrants and preferred shares), proceeds from the issuance of debentures and cash on hand. The Company believes its restructuring activities as it relates to workforce and facility optimization are substantially complete and expects cash flow from operations to fund its future operations, including its investment in the Cloud strategy.

The Company operates in several jurisdictions, some of which impose currency remittance restrictions and income tax withholdings, which impacts the timing and amount of cash which can be repatriated

from these countries. Approximately 50% (December 31, 2019 – 37%) of our cash is in foreign subsidiaries, where repatriation to the parent Company in Canada could take longer than 30 days.

Key Balance Sheet Amounts and Liquidity Ratios	As at December 31,	As at December 31,		
$US Thousands, except ratios and metrics (unaudited)	2020	2019	$ Change	% Change
Cash, Cash Equivalents and Restricted Cash	18,290	32,699	(14,409)	(44%)
Trade Accounts Receivable	4,748	6,795	(2,047)	(30%)
Working capital	3,005	19,321	(16,316)	(84%)
Days sales outstanding in trade accounts receivable (days)	28	38	(10)	(26%)
Days sales outstanding in unbilled revenue (days)	40	45	(5)	(11%)

The Company uses working capital, days sales outstanding (DSO) in trade accounts receivable and DSO in unbilled revenue as measures to enhance comparisons between periods. Management believes these DSO measures to be important indicators of the Company's ability to convert trade receivables and unbilled revenue into cash. A lower DSO indicates a more efficient cash collection process and delivery and customer acceptance process. These terms do not have a standardized meaning under IFRS and are unlikely to be comparable to similarly titled measures reported by other issuers. The calculation of each of these items is more fully described below.

Days sales outstanding ("DSO") - The Company has calculated DSO based on annualized revenue and the average of the beginning and ending accounts receivable balance for the twelve month and fifteen month period being reported.

DSO in unbilled revenue - The Company has calculated DSO in unbilled revenue based on annualized revenue and the average of the beginning and ending unbilled revenue balance for the twelve month and fifteen month period being reported.

Cash and restricted cash declined by $14.4 million to $18.3 million at December 31, 2020, compared to December 31, 2019.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance decreased by $16.3 million to $3.0 million at December 31, 2020, from $19.3 million at December 31, 2019. This is mostly related to decrease in cash, increase in income taxes payable and increase in provisions, slightly offset by decrease in deferred revenue.

The table below outlines a summary of cash inflows (outflows) by activity.

Statement of Cash Flows Summary	**Three months ended**		**Twelve Months Ended**	**Fifteen Months Ended**
($ US Thousands)		**December 31,**		**December 31,**
(Unaudited)	**2020**	**2019**	**2020**	**2019**
Cash inflows and (outflows) by activity:				
Operating activities	(2,621)	(2,966)	(7,900)	(2,259)
Investing activities	64	133	326	2,624
Financing activities	(618)	(2,265)	(7,522)	(4,265)
Effect of foreign currency exchange rate changes on cash and cash equivalents	224	253	1,012	(527)
Net cash inflows (outflows)	(2,951)	(4,845)	(14,084)	(4,427)
Cash and cash equivalents, beginning of period	20,615	36,593	31,748	36,175
Cash and cash equivalents, end of period	17,664	31,748	17,664	31,748
Cash (including Restricted Cash), end of period	18,290	32,699	18,290	32,699

Cash From Operating Activities

Net cash used by operating activities was $2.6 million in the three months ended December 31, 2020, compared to use of cash of $3.0 million in the same period last year. Cash used by operating activities in the three months ended December 31, 2020, mainly relates to cash used in working capital and cash taxes paid during the quarter offset by operating income. For the quarter ended December 31, 2019, net cash used by operating activities was $3.0 million mainly related to cash taxes paid and cash used in working capital.

Net cash used by operating activities was $7.9 million in the twelve months ended December 31, 2020, compared to use of cash of $2.3 million in the fifteen months period last year. Cash used by operating activities in the twelve months ended December 31, 2020, mainly relates to the cash taxes paid during the period and cash used in working capital. For the twelve months ended December 31, 2019, net cash used by operating activities was $2.3 million, mainly related to cash used in working capital and cash taxes paid offset by operating income.

Cash Used for Investing Activities

In the three months ended December 31, 2020, there was $0.1 million of cash generated by investing activities, compared to cash generated of $0.1 million during the same period in fiscal 2019. Cash generated by investing activities during the twelve months ended December 31, 2020, was $0.3 million, compared to cash generated of $2.6 million during the fifteen month period last year. The source of cash relates to the release of restricted cash.

Cash Used for Financing Activities

In the three months ended December 31, 2020, net cash used by financing activities was $0.6 million, compared to cash used of $2.3 million during the same period last year. The use of cash during the three months ended December 31, 2020 was related to transactions costs incurred for the Debenture Financing.

The use of cash in three months ended December 31, 2019 relates to payment of dividends on the Company's previously outstanding preferred shares, all of which were redeemed in July 2020.

For the twelve months ended December 31, 2020, cash used by financing activities was $7.5 million compared to cash used of $4.3 during the fifteen months ended December 31, 2019. The use of cash during twelve months ended December 31, 2020, relates to the net cash different between the cash proceeds to the Company from Debenture Financing and amount required to concurrently redeem the Company's previously outstanding preferred shares and accrued dividends on the preferred shares. The use of cash also relates to the transaction costs incurred for the Debenture Financing. The use of cash in fifteen months ended December 31, 2019 relates to the payment of dividends on the Company's previously outstanding preferred shares, all of which were redeemed in July 2020.

MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of 100% customer success, fund R&D, leading to innovative and market-leading products, and implement its strategic plan that will help towards increasing shareholder value, while managing financial risk. As of December 31, 2020, the Company's share capital currently consists of Subordinate Voting Shares. The Company also has outstanding a Series A Warrant (classified as liability) and a Standby Warrant (classified as equity). The Company's primary use of capital is to finance its operations and includes increases in working capital and investment in cloud R&D. The Company currently funds these requirements from operating cash flows. See also the events described on page 6 related to the redemption of the Series A Preferred Shares and the Debenture Financing.

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company's DSO in Trade Accounts Receivable ("DSO") is at 28 days as of December 31, 2020, compared to 38 days as of December 31, 2019. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company also maintains credit insurance in certain jurisdictions. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk, and there can be no assurance that these controls will continue to be effective or that the Company's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 120 days. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts as soon as the account is determined not to be fully collectible.

The allowance for doubtful accounts as at December 31, 2020, was $0.9 million, compared to $1.6 million as at December 31, 2019. Estimates for allowance for doubtful accounts are determined based on an evaluation of collectability by customer and project at each consolidated statement of financial

position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and ability to pay.

UNBILLED AND DEFERRED REVENUE

Unbilled revenue represents revenue that has been earned but not billed. Deferred revenue represents amounts that have been billed and collected in accordance with the terms of the contract but where the criteria for revenue recognition have not yet been met. All services provided from inception of the contracted arrangement are recoverable under the contract terms. Differences between the timing of billings, based upon contractual terms, collection of cash and the recognition of revenue result in either unbilled revenue or deferred revenue.

Revenue in a typical implementation project is earned as progress is made in project delivery. This earned revenue results in unbilled revenue until the customer is invoiced upon reaching a contractual term. Delays in the completion of a billing milestone do not indicate that the contract is on hold or that the customer is unwilling to pay its contracted fee. Most billing milestones are set at completion of a major phase of the project or when the projects are complete and in production.

Unbilled revenue decreased by $1.5 million to $7.6 million at December 31, 2020, as compared to $9.1 million as at December 31, 2019.

Deferred revenue decreased to $5.6 million at December 31, 2020, as compared to $7.1 million at December 31, 2019. The decrease in deferred revenue is mainly revenue recognized during the twelve months ending December 31, 2020.

OTHER PROVISIONS

Other provisions at December 31, 2020, include an intellectual property claim and estimated costs to settle contractual disputes. Management’s provision reflects changes in the status of the claims, expected outcomes and costs to settle, if any. Estimates are preliminary and subject to adjustment based on changes in facts and circumstances; such changes could be material.

Although liability is not admitted, if a defense against any of these matters is unsuccessful, the Company may incur additional costs associated with the claims that may significantly exceed the Company’s estimate of the provision at December 31, 2020.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Commitments

At December 31, 2020, the Company had various lease payments and purchase commitments in normal course of operations. Below is a summary of future minimum payments for contractual obligations that are not recognized as liabilities at December 31, 2020:

	$ (thousands)
Less than 1 year	1,960
Between 1 and 5 years	3,303
More than 5 years	–
	5,263

OUTSTANDING SHARE DATA

The number of Subordinate Voting Shares outstanding as at March 3, 2021, is 5,316,057 (December 31, 2019 - 5,315,757). In addition, at December 31, 2020, there were 270,239 (December 31, 2019 – 26,889) stock options outstanding with exercise prices ranging from CAD $42.02 to CAD $227.50 per share. The Series A Warrant and the Standby Warrant are outstanding and equivalent to 925,712 and 50,000 Subordinate Voting Shares respectively as at March 3, 2021 (as at December 30, 2019 – 925,712 and 50,000, respectively).

SHARE CAPITAL

(a) Series A Preferred Shares and Subordinate Voting Shares:

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares (the "Preferred Shares") and a warrant (the "Series A Warrant") (collectively the "Financing Transaction") to ESW Holdings, Inc. (the "Investor"), an affiliate of ESW. The Preferred Shares are entitled to dividends, payable quarterly at the rate of 10% per annum of the issue price. To the extent were dividends are not declared and paid on the Preferred Shares, dividends accrued and compounded monthly at the rate of 10%.The Preferred Shares were redeemable any time at the option of the Company.

On July 20, 2020, the Company fully redeemed all of the issued and outstanding Preferred Shares, including all accrued and unpaid dividends thereon, in accordance with the terms of the Preferred Shares. The aggregate redemption price in respect of the Preferred Shares was $91.4 million. This included the face amount of $80.0 million and accrued dividends of $11.4 million.

During the twelve months ended December 31, 2020, accretion expense, amortization of transaction costs and accrued dividends on the Preferred Shares amounted to $27.2 million (fifteen months ended December 31, 2019 - accretion expense, amortization of transaction costs and cumulative dividends of $12.7 million).

These charges are included in finance costs in the consolidated statements of comprehensive income (loss). During the twelve months ended December 31, 2020, cumulative dividends in amount of $13.6 million were paid (fifteen months ended December 31, 2019 - $4.3 million dividends were paid).

(b) Series A Warrant and Standby Warrant :

As part of the Financing Transaction, the Company issued a Series A Warrant that entitles the Investor to purchase 925,712 Subordinate Voting Shares at $34.00 per share. The Series A Warrant is being classified as a liability because it contains an adjustment provision if the Company issues Subordinate Voting Shares or securities exchangeable for or convertible into Subordinate Voting Shares at a price per share less than the Series A Warrant exercise price. The decrease in fair value of the warrant liability of $4.6 million during the three months ended December 31, 2020 (three months ended December 31, 2019 – increase of $7.4 million) is recorded in finance costs (recovery) in the consolidated statements of comprehensive income (loss). The decrease in fair value of the warrant liability of $6.0 million during the twelve months ended December 31, 2020 (fifteen months ended December 31, 2019 – increase of $0.9 million) is recorded in finance costs (recovery) in the consolidated statements of comprehensive income (loss). Any unexercised Series A Warrant expires on January 25, 2027. No Series A Warrant was exercised as at December 31, 2020 (nine months ended December 31, 2019 – none).

Upon closing of a rights offering of its Subordinate Voting Shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to purchase 50,000 Subordinate Voting Shares at $25.00 per share (the "Standby Warrant"). The fair value of the Standby Warrant, classified as equity upon issuance at September 6, 2017, was $1.0 million. The Standby Warrant expires on September 5, 2027. No warrants were exercised as at December 31, 2020 (December 31, 2019 – none).

(c) Share-based Compensation

The share-based compensation relating to the Company's stock options, deferred share unit plan and share unit plan during the three and twelve months ended December 31, 2020, was a recovery of $0.4 million and expense of $0.2 million (three and fifteen months ended December 31, 2019 – expense of $0.6 million and $2.2 million). During the twelve months ended December 31, 2020, there were 250,000 options granted (fifteen months ended December 31, 2019 - nil). During the twelve months ended December 31, 2020, there were 28,198 DSUs granted (fifteen months ended December 31, 2019 - 16,805).

RELATED PARTY TRANSACTIONS

Key Management Personnel

The aggregate remuneration of key management personnel during the twelve months ended December 31, 2020 and fifteen months ended December 31, 2019 is as follows:

$US Thousands	2020	2019
Salaries and employee benefits	$ 3,574	$ 3,786
Share-based compensation (a)	994	2,476
	$ 4,568	$ 6,262

(a) Share-based compensation includes cash-settled and equity-settled awards

Related Party Service Agreements

In September 2017, the Company entered into long term service agreements with Crossover and DevFactory, (collectively the "Service Agreements") who provide cross-functional and specialized technical services. Each of Crossover and DevFactory are affiliates of ESW. The Service Agreements can be terminated by either party with 30 days written notice. The Service Agreements were negotiated and approved by the Special Committee of the Board of Directors. The contracted rates with these related parties are priced as agreed to by the parties and are to be settled in cash on normal payment terms upon receipt of invoices.

Crossover provides Optiva with access to skilled temporary employees. These resources provide a variety of services, including HR, operations, finance, and support functions, at any global location for pricing agreed to in the Crossover service agreement. During the three and twelve months ended December 31, 2020, the Company has incurred $1.0 million and $12.6 million of costs associated with services provided by Crossover (three and fifteen months ended December 31, 2019 - $3.8 million and $26.7 million). The costs have been recorded in cost of revenue or operating expenses in accordance with the department of the contract resource in the consolidated statements of comprehensive income (loss).

DevFactory provides certain technology services to Optiva as per agreed statements of work. Effective June 30, 2019, the Service Agreement between Optiva and DevFactory was assigned to GTeam FZ-LLC as part of an internal reorganization by DevFactory. GTeam FZ-LLC is also fully owned by ESW Capital. On September 1, 2019, GTeam FZ-LLC changed its name to DevFactory Innovations FZ-LLC. During the three and twelve months ended December 31, 2020, the Company has incurred $nil million and $16.4 million of costs associated with services provided by DevFactory (three and fifteen months ended December 31, 2019 - $5.7 million and $25.1 million). The costs have been recorded in cost of revenue and R&D expenses in accordance with the nature of the expenditure in the consolidated statements of comprehensive income (loss).

Amounts owing to Crossover and DevFactory as of December 31, 2020, aggregated to $5.0 million (December 31, 2019 - $8.9 million) and are included in both trade payables and accrued liabilities in the consolidated statement of financial position at the respective period ends.

The Company is in the process of building an in-house R&D team and did not place any orders with DevFactory in the quarter ended December 31, 2020. The Company is also working with other strategic partners to enhance its R&D activities. In connection with the transaction described above under "Subsequent Event", the Company has agreed with ESW, DevFactory and Crossover to terminate those agreements and all rights and obligations thereunder on closing of the transaction.

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair values

The Company adopts a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the financial asset or financial liability that are not based on observable market data (i.e. unobservable inputs that represent the Company's own judgments about what assumptions market place participants would use in pricing the asset or liability developed, based on the best information available in the circumstances).

In the table below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date.

Financial assets and liabilities measured at fair value are summarized below:

	2020		2019	
$US Thousands	Carrying amount	Fair value	Carrying amount	Fair value
Warrant classified as liability (Level 2)	16,663	16,663	22,680	22,680
Preferred Shares (Level 2)	–	–	66,346	66,346

In addition to the foregoing, the Company has an issued and outstanding Standby Warrant, as described in the share capital section above, to purchase 50,000 Subordinate Voting Shares at $25.00 per share. The fair value of the Standby Warrant, was classified as equity upon issuance at September 6, 2017, was $1.0 million. The Standby Warrant expires on September 5, 2027

There were no transfers of financial assets between levels during the fiscal periods ended December 31, 2020 and 2019.

Financial instruments are classified into one of the following categories: financial assets and financial liabilities at fair value. The carrying values of trade accounts and other receivables, trade payables, accrued liabilities, provisions and other liabilities approximate fair values because of the short-term nature of these financial instruments. The carrying values of debentures approximate their fair values because the interest rates approximate the market interest rates for similar debts.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgment.

Financial Risk Management

The Board has the overall responsibility and oversight of the Company's risk management practices. The Company does not follow a specific risk model, but rather includes risk management analysis in all levels of strategic and operational planning. The Company's management, specifically the Senior Leadership Team, is responsible for developing and monitoring the Company's risk strategy. The Company's management reports regularly to the Board on its activities.

The Company's management identifies and analyzes the risks faced by the Company. Risk management strategy and risk limits are reviewed regularly to reflect changes in the market conditions and Company's activities. The Company's management aims to develop and implement a risk strategy that is consistent with the Company's corporate objectives.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from banks and customers.

The Company has credit risk relating to cash and cash equivalents and restricted cash, which it manages by dealing with large chartered Canadian and international banks and investing in highly liquid investments of a rating of no less than R1, the credit rating assigned to those who pay on time.

The Company's exposure to credit risk geographically for cash and cash equivalents and restricted cash as at December 31, 2020 and 2019 was as follows:

	2020	2019
Europe, Middle East and Africa	31%	36%
North America, Latin America and Caribbean	33%	48%
Asia and Pacific Rim	36%	16%
	100%	100%

For the year ended December 31, 2020, the Company had no customers (fifteen months ended December 31, 2019 – none) that accounted for greater than 10% of revenue. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. The Company also insures accounts receivable balances in certain countries.

Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts as soon as the account is perceived not to be fully collectible. The Company's trade receivables had a carrying value of $5.6 million as at December 31, 2020 (2019 - $8.4 million), representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers varies based upon the size of the customer, type of revenue and geographic region, and generally call for payment within 30 to 120 days. At December 31, 2020, approximately 27.5% of gross trade receivables, or $2.2 million, was outstanding for more than 120 days (2019 – 17.7% or $2.1 million). The activity of the allowance for doubtful accounts for the twelve and fifteen months ended December 31, 2020 and December 31, 2019 was as follows.

$US Thousands	2020	2019
Allowance for doubtful accounts, beginning of year	$ 1,584	$ 2,093
Bad debt recovery	889	792
Write-off of bad debts	(1,580)	(1,301)
	$ 893	$ 1,584

Allowance for doubtful accounts is charged to general and administrative expense. Estimates for allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each consolidated statement of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern risks.

The Company's exposure to credit risk for trade receivables by geographic area as at December 31, 2020 and December 31, 2019 was as follows:

	2020	2019
Europe, Middle East and Africa	68%	55%
North America, Latin America and Caribbean	18%	36%
Asia and Pacific Rim	14%	9%
	100%	100%

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities as at December 31, 2020 will mature as follows:

US$ Thousands	Less than 1 year	1 to 2 years	2 years and thereafter
Trade payables	$ 8,812	$ –	$ –
Accrued liabilities	9,677	–	–
Provisions	5,555	–	–
Other liabilities	–	–	2,798
Debentures	–	–	86,338
	$ 24,044	$ –	$ 89,136

The Company operates in a number of jurisdictions, some of which impose currency remittance restrictions and income tax withholdings, which impacts the timing and amount of cash which can be repatriated from these countries.

Market risk:

Market risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in the market risk factors. The market risk factors which affect the Company are foreign currency and interest rates.

(a) Foreign currency risk:

The Company conducts a significant portion of its business activities in foreign countries. Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by converting foreign-denominated cash balances into U.S. dollars to the extent practical to match U.S. dollar obligations. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the U.S. dollar and these foreign currencies. The Company recognized a foreign currency exchange loss of $2.0 million during the twelve months ended December 31, 2020 (fifteen months ended December 31, 2019 – loss of $1.5 million).

If a shift in foreign currency exchange rates of 10% were to occur, the foreign currency exchange gain or loss on the Company's net monetary assets could change by approximately $1.0 million (2019 - $1.2 million) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive loss.

(b) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash and cash equivalents, and restricted cash. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents and restricted cash and the related income for the year ended December 31, 2020 would not be material.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (“ICFR”)

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified and passed to its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, with the participation of the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), to provide reasonable assurance regarding the reliability of the Company’s financial reporting and its preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design the Company’s internal control over financial reporting is the “Internal Control – Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in Internal Controls over Financial Reporting

Effective January 1, 2020, the Company has outsourced certain bookkeeping and financial analysis responsibilities of its finance function to an independent third-party service organization. As a result, the Company has implemented material changes to its internal controls over financial reporting. The key areas impacted include the accounting systems and processes that support the Company’s general ledger,

back-office transaction processing, preparation of monthly financial statements and processes supporting budgetary control activities. Substantive changes have been made to the processes relating to the submission of approved data for processing and the review of financial information generated by the third party. Management continues to retain responsibility over preparation, review and authorization of the Company's external financial reporting.

Management's overall evaluation as at December 31, 2020 did not indicate existence of any material weakness in our internal controls over financial reporting.

ACCOUNTING CHANGES

Accounting Changes

(i) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the IASB issued IFRS 16. IFRS 16 replaced IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company has adopted the standard effective January 1, 2020. Management assessed the extent of the impact of adoption of this standard and interpretations on the consolidated financial statements of the Company and found them not to have a material impact on the Company's consolidated financial statements. The Company has applied the practical expedient not to recognize right-of-use asset and lease liability for short-term leases that have a lease term of 12 months or less and leases of low value assets. All of the existing leases in the Company at December 31, 2020 would fall under the category of short-term leases or leases of low value assets. The lease payments associated with these leases will be recognized as an expense on a straight-line basis over the respective lease terms.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

The Company's accounting policy under IFRS 15, adopted effective October 1, 2018, is as follows:

General

The Company's revenue is derived primarily from licensing of software products under non-cancellable license agreements, the provision of related professional services (including installation, integration and training) and post-contract customer support ("PCS"). In certain cases, the Company also provides customers with hardware in conjunction with its software offerings. Revenue comprises the fair value of consideration received or receivable from the sale or license of products or the provision of services in

the ordinary course of business, net of discounts and sales taxes. Out-of-pocket expenses that are contractually reimbursable from customers are recorded as gross revenue and expenses.

Arrangements with multiple components

The Company enters into arrangements that contain separately identifiable components, which may include any combination of software, services, PCS and/or hardware.

Where multiple transactions or contracts are linked, such that the individual transactions have no commercial effect on their own, the transactions are evaluated as a combined customer arrangement for purposes of revenue recognition. When two or more revenue-generating activities or deliverables are sold under an arrangement, each deliverable that is considered a separate component is accounted for separately. A deliverable is separately accounted for when a delivered item has standalone value from undelivered items based on the substance of the arrangement. When services are essential to the functionality of the software, the software does not have standalone value and is combined with the essential services as a single component.

Where an arrangement includes multiple components, revenue is allocated to the different components based on their relative fair values or the residual method, as applicable. The Company generally uses optional stated renewal rates to evidence fair value of undelivered term-license/PCS services when the renewal fees and terms are substantive. When stated renewal rates do not exist for an arrangement, the Company considers fees charged on standalone PCS renewals in other similar arrangements to establish fair value. The Company typically evidences fair value for other products and services based on the pricing when those deliverables are sold separately. Where reasonable vendor-specific or third party inputs do not exist to reliably establish fair value, the Company allocates revenue based on its best estimate of selling price that the Company would transact at if the deliverable were sold on a standalone basis. For services, this includes the expected cost of delivery plus an estimated profit margin. Under the residual method, revenue is allocated to undelivered components of the arrangement based on their fair values and the residual amount of the arrangement revenue is allocated to delivered components.

The revenue policies below are applied to each separately identifiable component. Revenue associated with each component is deferred until the criteria required to recognize revenue have been met.

The Company recognizes revenue once persuasive evidence exists, generally in the form of an executed agreement, it is probable the economic benefits of the transaction will flow to the Company and revenue and costs can be measured reliably. If collection is not considered probable, revenue is recognized only once fees are collected.

Software

The Company sells on-premise software licenses primarily on a perpetual basis. Where licensed software is combined with non-distinct services as a combined performance obligation, revenue is recognized according to the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract. If a loss on a contract is considered probable, the loss is recognized at the date determinable. Distinct software licenses, when not combined with services for

accounting purposes, are recognized upon delivery and commencement of the customer's right to use the software.

Software-as-a-service (SaaS)

SaaS allows a customer access to the Company's software on a platform hosted by a third-party without taking possession of the software. SaaS is typically offered on a fixed-term basis. Where fees are fixed for the term, revenue is recognized rateably over the term commencing when the customer has the right to access the platform. Where the fees are based on periodic activity, revenue is recognized as invoiced to the customer at each period.

Services

Revenue for installation, implementation, training and other services, when not combined with software as a combined performance obligation, is recognized as the services are delivered to the customer. Fixed fee service arrangements are recognized using the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract.

Post-contract customer support ("PCS")

PCS revenue is recognized rateably over the term of the PCS agreement.

Third party software and hardware

Third party software and hardware revenue is recognized when control of the product transfers to the customer. When the products are distinct, control typically transfers upon delivery to the customer. Where such products are related to professional services as a combined performance obligation, the percentage-of-completion method is applied.

Trade receivables

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses.

Unbilled and deferred revenue

Amounts are generally billable on reaching certain performance milestones, as defined by individual contracts. Revenue in excess of contract billings is recorded as unbilled revenue. Cash proceeds received in advance of performance under contracts are recorded as deferred revenue. Deferred and unbilled revenue is classified as long-term if it relates to performance obligations that are expected to be fulfilled greater than 12 months from period end.

Income Taxes and Deferred taxes

Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year and any adjustments to tax payable related to prior years. Deferred tax assets and liabilities are determined based on differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and income tax planning strategies in making this assessment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carryforwards. The valuation of deferred tax assets is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carryforwards may be utilized.

Pension and non-pension post-employment benefit plans

The actuarial valuation of defined benefit obligation and fair value of plan assets require estimates, including discount rates applied to the Company's pension plan and non-pension post-employment benefit liabilities.

Goodwill valuation

We use estimates in determining the recoverable amount of our cash-generating unit (“CGU”) in performing annual impairment testing of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as future cash flows, terminal growth rate and discount rate.

We estimate value in use for impairment tests by discounting estimated future cash flows for periods up to five years to their present value. The future cash flows are based on our estimates of expected future operating results of the CGU after considering economic conditions and a general outlook for the CGU’s industry. Our discount rates consider market rates of return, debt to equity ratios and certain risk premiums, among other things. The terminal value is the value attributed to the CGU’s operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry.

We make certain assumptions when deriving expected future cash flows, which may include assumptions pertaining to discount and terminal growth rates. These assumptions may differ or change quickly

depending on economic conditions or other events. It is therefore possible that future changes in assumptions may negatively affect future valuations of the CGU and goodwill, which could result in impairment losses.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract less the expected benefits to be derived by the Company.

PATENT PORTFOLIO

As part of Optiva's commitment to R&D to maintain its position as a key industry innovator in the real-time BSS software space, the Company currently has a portfolio with several pending patent applications and over 50 patents. To date, Optiva has not initiated any action with respect to assertions and/or claims of patent infringement.

ADDITIONAL INFORMATION

Additional information, including the quarterly and annual consolidated financial statements, annual information form, management proxy circular and other disclosure documents may be examined by accessing the SEDAR website at www.sedar.com.